|  |
| --- |
| **Note to teams—best practices**  **Before you begin**   1. *For audits where signing authority has been delegated to the engagement leader, the engagement leader may rely on their knowledge and review of matters included in the audit file in order to form an opinion on the financial statements. In this circumstance, engagement teams may also elect to summarize these matters in a Report Clearance Summary (RCS) using this template.* 2. *Before drafting the RCS, check with the engagement leader and/or report signatory for their preference on the extent and the type of information to document in the RCS.* 3. *Review the significant matters checklist (Appendix A) for items to consider in preparing the RCS.*   **When preparing the RCS**   1. *The audit report signatory is assumed to have an understanding of the entity and mandate. As a result, it may not be necessary to include background information about the entity in the RCS.* 2. *Consider the guidance provided in the Efficiency tip buttons to make the preparation of the RCS more efficient.* 3. *When significant matters are also communicated to those charged with governance in the RAC-Results, consider integrating the RCS with the RAC-Results to make the preparation of the RCS more efficient (ex: SUM section, Executive compensation, travel, hospitality, conference and event section).*   *OAG Audit 1141—A significant matter is a finding or issue that, in the auditor’s judgment, is significant to the procedures performed, evidence obtained, or conclusions reached. Significant matters either are, or could be, important to our audit opinion/report, or to the support for the assurance engagement opinion/conclusion(s). These matters frequently require consultation. Significant matters require appropriate resolution and documentation by the audit team, and timely review by the engagement leader and engagement quality reviewer (where appointed).* |

|  |  |
| --- | --- |
| **Classification:** | **Team Officials: [PX, DX and Team manager]** |
| **Accounting Framework:** | **Engagement Quality Reviewer:** |
| **Materiality:** | **Estimated Audit Committee Date:** |
| **Statutory Reporting Deadline[[1]](#footnote-1):** | **Estimated Auditor’s Report Date:** |

The primary purpose of the Report Clearance Summary is to briefly communicate significant matters important to forming an opinion on the financial statements to senior members of the engagement team and to provide specific representations concerning the performance of the audit.

Engagement leader review and approval of this document indicates the report clearance summary and any supporting documents to be provided to the report signatory accurately reflect all significant matters which should be communicated to the signatory.

Efficiency Tip buttons include suggested practice and guidance on the preparation of the RCS, including the definition of what is a significant matter. When completed, Appendix A could be provided with the RCS as a tool to assist the reader.

1. **Significant Matters** 
   1. Significant Risks and response

*[See Appendix A—RCS—Checklist for a list of possible significant matters to include under this section.]*

* 1. Significant Judgments

*[See Appendix A—RCS—Checklist for a list of possible significant matters to include under this section. An example could be an accounting treatment or financial statement presentation that requires the application of significant judgment; in particular areas where alternative accounting treatments are permitted or where the accounting is aggressive or unusual.]*

* 1. New Accounting/Assurance Standards

*[See Appendix A – RCS – Checklist for a list of possible significant matters to include under this section]*

* 1. Fraud and Wrongdoing

There were no significant risks related to fraud and wrongdoing identified during our audit.

**OR**

The following significant risks related to fraud and wrongdoing were identified during our audit: *[Describe the significant risk identified and the audit team’s response.]*

* 1. Independence

There were no threats or breaches to our independence identified with respect to this engagement.

**OR**

The following threats or breaches to our independence were identified with respect to this engagement: *[Describe the circumstances, explain the possible effect and describe actions taken by the audit team. For threats, conclude why we believe we remained independent of [name of the entity] during the period of the assurance engagement. For breaches, include details supporting compliance with the requirements set out by Rule 204.6. Rule 204.6 sets out the requirements for: ]*

* *reporting the issue within the Office,*
* *ensuring the nature of the breach is analyzed and evaluated, that appropriate actions are taken, and that the breach is also communicated to network firms as appropriate,*
* *considering whether safeguards can be applied, and whether the assurance engagement may be continued or whether it should be terminated, and obtaining concurrence from client as appropriate,*
* *considering whether previously issued assurance reports should be withdrawn,*
* *reporting the matter to the audit committee or those charged with governance*
* *documenting the analysis and conclusions, and*
* *reporting the matter to the provincial CPA body/Ordre.* 
  1. Compliance with Authorities

No issues of known or possible non-compliance with authorities have come to our attention during the course of the audit.

**OR**

We identified the following significant authority issues during the course of the audit: *[Describe the nature and significance of the non-compliance, the entity’s management’s perspective, the perspective of OAG Legal Services and other Internal Specialists consulted, the mode of reporting (management letter, RAC, Auditor’s Report) and the rationale for the mode selected, and any potential sensitivities.]*

* 1. Consultation

*[If Audit Services, Legal Services, IT Audit, Controls Assurance, FI team, Forensic Audit, other subject-matter experts were consulted for specific issues during the course of the audit, use the table below to briefly outline each consultation undertaken.]*

The significant areas where there was consultation during the course of the audit are the following:

|  | **Issue #1** | **Issue #2** *[add columns as needed]* |
| --- | --- | --- |
| **Description of the matter/ consultation nature and scope** | *[Provide a brief description or a succinct problem statement related to the issue.]* |  |
| **Name and title of individual consulted** | *[Name/Audit Services, Name/Legal Services, Name/IT, Name/Controls Assurance Team, Name/FI Team, Name/Forensic Audit Section, Name/Other subject-matter expert]* |  |
| **Conclusions reached** | *[Provide a brief description of the final recommended action received from the consulted party and the final conclusion reached by the engagement team and the basis thereof.]* |  |
| **Agreement reached?** | *[Indicate whether the consultant’s advice has been taken and the conclusion resulting from this consultation was agreed with the party consulted.]* |  |
| **Difference of opinions** | None  **OR**  [*If the engagement leader believed that the consultant’s guidance should not be implemented, provide details of further consultation, as appropriate, and how the difference of opinion was resolved.]* |  |
| **Implementation** | *[Indicate what demonstrates that the conclusion resulting from this consultation has been implemented or include a cross reference to its implementation.]* |  |

Further to the above, AEA has completed its review of the [proforma or final draft] financial statements of the entity as well as the auditor’s report presented for signature and has accepted and signed off on the team’s disposition of all review comments raised.

* 1. Engagement Quality Reviewer [if applicable]

[Insert the name of the engagement quality reviewer] has been appointed as the engagement quality reviewer for the audit.

* [He/she] remained independent and objective of the engagement team and the entity throughout the engagement.
* All significant matters, including identified risks and significant judgments arising during the assurance engagement, have been discussed with the engagement quality reviewer.
* The engagement quality review was conducted in a timely manner at appropriate stages of the audit throughout the audit.
* The engagement quality review was performed using the Engagement Quality Reviewer Checklist.
* The engagement quality review was completed before the auditor's report was dated and there are no unresolved matters.

The significant issues and areas of concern raised during the engagement quality review were the following *[Use the table below to ensure all elements are captured.]*:

|  | **Issue #1** | **Issue #2** |
| --- | --- | --- |
| **Description of the significant issue/area of concern raised during the engagement quality review** | *[Provide a brief description of the significant issue or area of concern raised during the engagement quality review.]* |  |
| **Decision taken** | *[Provide a brief description of the decision taken.]* |  |
| **Agreement reached?** | *[Indicate whether the decision taken was agreed with the Engagement Quality Reviewer.]* |  |
| **Difference of opinion** | None  **OR**  [*If there was a difference of opinion, provide details of further consultation, as appropriate, and how the difference of opinion was resolved.]* |  |

* 1. Summary of Uncorrected Misstatements

*[See Appendix A—RCS—Checklist for a list of possible significant matters to include under this section.]*

* 1. Other relevant auditing matters

*[See Appendix A—RCS—Checklist for a list of possible significant matters to include under this section. Some examples are: significant departures from planned audit procedures or Office policies, significant deficiencies or material weaknesses in internal control over financial reporting, difficulties in applying necessary audit procedures or audit methodology, circumstances causing delays in completing the audit, relations with entity senior management and with entity staff and significant organizational changes or movement of senior personnel.]*

1. **Performance Highlights**
2. **Executive Compensation, Travel, Hospitality,   
   Conference and Event**
3. **Independent Auditor’s Report**

[*Describe the significant non standard features of the Independent Auditor’s Report. For example,*

* *Type of report—The Independent Auditor’s Report has been prepared in accordance with CAS 805.*
* *Type of opinion—The report has been modified for a qualification or scope limitation. The following circumstances led to the modification of the opinion…*
* *Prior period modified opinion—The auditor’s opinion on the prior period was modified because of the following matter….. The matter remained unresolved and has the following effect on the current period’s figures ….. As a result, the report for the current period has also been modified and includes the following paragraphs…*
* *Authority mandate requirement—There is no mandate requirement to opine on authorities.*
* *Consistent application of accounting principles requirement—There is no mandate requirement to report on the consistent application of accounting principles.*
* *Further, we have included an emphasis of matter/other matter paragraph for the following items…*]

1. **Audit Performance**
2. **Other Information**

*[See Appendix A—RCS—Checklist for a list of possible significant matters to include under this section. Describe any other relevant information that may be of interest to the Signatory of the auditor’s report.]*

1. **Engagement Leader’s Recommendation for signature**

In my opinion this audit engagement has been carried out in compliance with Office policies, professional standards, and the Office's system of quality management; therefore, I recommend you sign the Independent Auditor’s Report as submitted.

The following is a list of possible significant matters as per OAG Audit 1141. This list is not intended to be all-inclusive. Consider using this checklist to identify the significant matters to report in the RCS and to guide the preparation of the RCS.

|  | **Include**  **Y/N** | **Hyperlink to significant matter memo** |
| --- | --- | --- |
| 1. **Significant matters** |  |  |
| * 1. Significant risks and response |  |  |
| Significant matters regarding the appropriate selection, application, and consistency of accounting principles with regard to the financial statements, including related disclosures. Such matters often relate to accounting for complex or unusual transactions or estimates and uncertainties and, if applicable, the related management assumptions. |  |  |
| Any doubts about whether the entity is a going concern. |  |  |
| Where new information or new significant risks are identified that suggest the previously planned audit approach is inadequate. |  |  |
| Significant matters of judgment in relation to significant risks identified during the audit and the audit response. |  |  |
| Any significant changes in the assessed level of risk for a particular audit area, including any significant risks related to areas such as accounting estimates, including fair value accounting estimates and related disclosures, contingencies, related party transactions, etc. |  |  |
| Matters arising in relation to management's significant accounting estimates. |  |  |
| Significant unusual transactions. |  |  |
| Audit implications of significant related party relationships and transactions. |  |  |
| Issues arising from accounting principles employed by the entity or a subsidiary, including:   * + changes in accounting principles (including those made to comply with new rules or regulations),   + departures from generally accepted accounting principles,   + non-compliance with the accounting principles prescribed by a parent company. |  |  |
| Any matters relating to the consideration or issuance of a qualified or otherwise modified audit opinion. |  |  |
| * 1. Significant judgments |  |  |
| Any matter that requires significant professional judgment requires the involvement of the engagement leader. |  |  |
| Critical areas of judgment, including those relating to difficult, complex or contentious matters that required consultation (see OAG Audit 3081). |  |  |
| Circumstances that cause the auditor significant difficulty or judgments in applying necessary audit procedures. (*Source: CAS 230.A8*) |  |  |
| The alternative procedures performed, where the team considers it is necessary to depart from a CAS/CPA requirement, and the justification for this. (*Source: CAS 230.12 and CAS 200.23*) |  |  |
| * 1. New accounting/assurance standards |  |  |
| The impact of significant accounting or auditing standards that have been applied for the first time or that are expected to become significant in the near future. |  |  |
| * 1. Fraud and wrongdoing |  |  |
| Any fraud or suspected fraud, or other irregularity. (*Source: CAS 240.40, 250.A21*) |  |  |
| * 1. Independence |  |  |
| Any threats to independence identified and how these were addressed. |  |  |
| * 1. Compliance with authorities |  |  |
| Issues of known or possible non-compliance with authority, or departures from laws and regulations by the entity that have come to our attention. *(Source: CAS 250.30, CAS 550.A50)* |  |  |
| * 1. Consultation   2. Engagement Quality review |  |  |
| Significant areas where there was consultation during the course of the audit and the results of such consultation, including the decisions taken. |  |  |
| Differences of opinion among members of the engagement team, or with others consulted on the engagement, on significant accounting or auditing matters. Consider: Engagement Quality reviewer, Audit Services, Legal Services, IT Audit Team, FI Team, Forensic Audit Section, other internal specialists. |  |  |
| Circumstances where, after consultation, the agreed action is not implemented. |  |  |
| * 1. Summary of Uncorrected Misstatements |  |  |
| The Summary of Unadjusted Misstatements (SUM). |  |  |
| Results of audit procedures indicating that the financial statements are or could be materially misstated, including identified misstatements, whether corrected, or expected to be corrected or not by the entity, that could either individually or when aggregated have a material effect on the financial statements of the entity. (*Source: CAS 230.A8*) |  |  |
| Material inconsistencies and/or material misstatements of fact identified in our review of other information accompanying the financial statements that have been corrected. (*Source: CAS 260.A27*) |  |  |
| * 1. Other relevant auditing matters |  |  |
| Failure to achieve a CAS/CPA objective, in which case the significant matter shall include consideration of the implications for the overall audit objective and the audit report/opinion. (*Source: CAS 200.24*) |  |  |
| Significant issues relating to the competence, integrity, ethical value or diligence of management, or about its commitment to or enforcement of these. (*Source: CAS 580.A25*) |  |  |
| Results of audit procedures identifying a significant deficiency in the entity’s internal control. (*Source: CAS 265.9*) |  |  |
| Significant audit queries or follow-ups that are not resolved (e.g., missing information bearing on the ownership, existence or valuation of an asset). |  |  |
| Any other significant concern about the sufficiency or quality of our audit evidence on a material item. |  |  |
| Material disagreements with management, whether resolved or unresolved. |  |  |
| Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. (Source: CAS *260*.A22) |  |  |
| Significant matters that the engagement team intends to report to those charged with governance. |  |  |
| Significant matters that come to the attention of internal audit, which may affect the Office’s audit work. (*Source: 5050.14, CAS 610.A4*) |  |  |
| Discussions or correspondence in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other service. (*Source: CAS 260.A22*) |  |  |
| Concerns about management's consultations with other accountants on accounting or auditing matters. (Source: CAS 260.A22) |  |  |
| 1. **Other information** |  |  |
| Other areas the engagement leader considers important. (*Source: CAS 220.A88 and 5030.33*) |  |  |
| Any other information, not otherwise obvious, that needs consideration by the engagement leader in evaluating the results of the audit, or in discussing the financial statements with the entity or other matters that need to be formally communicated to the entity. |  |  |

1. *The statutory reporting deadline is the date the entity has to submit its annual report to the Minister.* [↑](#footnote-ref-1)